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May 5, 1997

EX PARTE OR LATE FILED

EX PARTE

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

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MAY 5 1997

Federal Communications Commission  
Office of Secretary

Re: *In the Matters of Federal-State Joint Board on Universal Service and  
Access Charge Reform, CC Docket Nos. 96-45 and 96-262*

Dear Mr. Caton:

Please be advised that today the attached letter was delivered on behalf of SBC Communications Inc. and its subsidiaries to Chairman Reed E. Hundt and Commissioners Quello, Ness and Chong.

Please associate this letter and the attachments with the above-referenced rule making dockets. In accordance with Commission procedure, an original and one copy of this document are provided for your use.

Very truly yours,

*Todd F. Silbergeld*

Attachment

cc: Chairman Reed E. Hundt  
Commissioner James H. Quello  
Commissioner Rachelle B. Chong  
Commissioner Susan Ness  
Mr. Boasberg  
Mr. Coltharp  
Mr. Casserly  
Mr. Gonzalez  
Ms. Keeney

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Dale (Zeke) Robertson  
Senior Vice President

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Fax 202 289-3699

May 5, 1997

**EX PARTE**

The Honorable Reed E. Hundt, Chairman  
The Honorable James H. Quello, Commissioner  
The Honorable Susan Ness, Commissioner  
The Honorable Rachelle B. Chong, Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: *In the Matters of Federal-State Joint Board on Universal Service and  
Access Charge Reform, CC Docket Nos. 96-45 and 96-262*

Dear Mr. Chairman and Commissioners:

AT&T's May 3, 1997 letter to the Chairman regarding its commitment to flow through access charge reductions is a continuation of its strategy to maximize its own benefits at the expense of others. In the past, AT&T threatened to deaverage nationwide toll prices if it didn't get the action it wanted from the Commission. Now that the Telecommunications Act of 1996 has taken that ploy away, AT&T has chosen residential price increases as its new method of "twisting the Commission's arm." The problem is that things just don't add up. Using the Commission to financially harm incumbent local exchange carriers not only damages AT&T's competitors, but it also will damage the major providers of universal service. Both results are completely contrary to the goals of the 1996 Act.

The Commission is obligated to replace implicit universal service support with explicit support. To accomplish this task requires quantifying the current level of universal service support that exists in interstate prices, removing it, and providing explicit funding. This critical task remains to be completed. The interstate access price reductions AT&T is attempting to extort from the Commission will harm universal service because these reductions will cut the implicit support that flows from interstate access charges to preserve and advance universal service.

To suggest that the proposed flat charges cannot exceed the existing flat charges AT&T pays for universal service funding is borderline disingenuous. The existing flat charges are set at a level to recover approximately \$1.2 billion for the interstate universal service fund and weighted dial equipment minutes (DEM). In SBC, BellSouth, and Pacific Telesis' interim access reform proposal, the usage-

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based access charges for carrier common line (CCL), long-term support (LTS), switch line port, and the unallocated share of transport interconnection charge (TIC) would be decreased by almost \$6.2 billion and would be recovered with the new flat charge. The flat charge in the interim proposal will obviously exceed the existing flat charge, however, interexchange carriers will also receive \$6.2 billion in reduced usage charges. Interstate long distance prices recover the usage charges as well as the current flat charges. The access price restructure proposed by SBC would be revenue-neutral to the interexchange carriers' long distance prices.

The bottom line to AT&T's letter: the price reductions it proposes are revenue-neutral to its firm, but will financially harm its competitors and jeopardize universal service. AT&T has failed to commit to the types of price reductions that could be produced by a competitive long distance market. The Commission must remain focused on its obligation to ensure the preservation and advancement of universal service and cannot be distracted by the saber-rattling tactics of one segment of the industry.

Very truly yours,

A handwritten signature in cursive script, reading "Dale Robertson".

Dale (Zeke) Robertson  
Senior Vice President